ORIGINAL

OPEN MEETING ITEM



COMMISSIONERS
SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE



DATE:

APRIL 22, 2015

2015 APR 22 PM 2 21

DOCKET NO.:

WS-02156A-14-0401

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Sarah Harpring. The recommendation has been filed in the form of an Opinion and Order on:

RIO VERDE UTILITIES, INC. (CC&N EXTENSION)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MAY 1, 2015

The enclosed is <u>NOT</u> an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has <u>tentatively</u> been scheduled for the Commission's Open Meeting to be held on:

MAY 12, 2015 and MAY 13, 2015

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

Arizona Corporation Commission
DOCKETED

APR 2 2 2015

DOCKETED BY

JODI JERICŲ

EXECUTIVE DIRECTOR

1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347 WWW.CC.State.az, us

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail SABernal@azcc.gov.

1	BEFORE THE ARIZONA COR	CPOR	ATION COMMISSION
2	COMMISSIONERS		
3	SUSAN BITTER SMITH - Chairman		
4	BOB STUMP BOB BURNS		
5	DOUG LITTLE TOM FORESE		
6		ı	DOCKETNO WC 021564 14 0401
7	IN THE MATTER OF THE APPLICATION OF RIO VERDE UTILITIES, INC., TO EXTEND ITS		DOCKET NO. WS-02156A-14-0401
8	PORTIONS OF RIO VERDE INITS TEN AND		DECISION NO.
9	ELEVEN.		OPINION AND ORDER
10	DATE OF HEARING:	Marc	h 18, 2015
11	PLACE OF HEARING:	Phoe	nix, Arizona
12	ADMINISTRATIVE LAW JUDGE:	Saral	n N. Harpring
13	APPEARANCES:		A. Marks, Craig A. Marks, PLC, on behalf
14	·		o Verde Utilities, Inc.; and
15		Divis	hew Laudone, Staff Attorney, Legal sion, on behalf of the Utilities Division of rizona Corporation Commission.
16	BY THE COMMISSION:	the r	rizona Corporation Commission.
17	This matter concerns an application file	ed wi	th the Arizona Corporation Commission
18			-
19	("Commission") by Rio Verde Utilities, Inc. ("Rio		
20	and Necessity ("CC&N") to provide water ut		
21	approximately 49 acres of land inadvertently or		
22	("CC&N extension area"). Rio Verde has beer	n pro	viding water utility service to the CC&N
23	extension area for more than 20 years.		
24	* * * *	*	* * * *
25	Having considered the entire record herei	in and	l being fully advised in the premises, the
26	Commission finds, concludes, and orders that:		
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FINDINGS OF FACT

Background

- 1. Rio Verde is an Arizona corporation engaged in providing water utility service to approximately 1,700 customers¹ in Maricopa County pursuant to CC&N authority granted by the Commission in Decision No. 43509 (July 27, 1973) and Decision No. 51873 (February 19, 1981).² (See Ex. S-1.)
- 2. Rio Verde's current rates and charges for water utility service were authorized in Decision No. 63585 (April 24, 2001).³
- 3. Rio Verde recently discovered that a portion of the area to which it has been providing water utility service for more than 20 years is not included within its CC&N service area for water.⁴ (Tr. at 25-27.) The omitted area is included in Rio Verde's CC&N service area for wastewater. (*Id.*)
- 4. Rio Verde does not know when or how the omission occurred, but knows that the omission was unintentional. (*Id.*)

Procedural History

- 5. On December 4, 2014, Rio Verde filed with the Commission an application for approval to extend its CC&N to provide water utility service by adding the CC&N extension area, which comprises approximately 48.72 acres in an area contiguous to Rio Verde's current CC&N service area and located approximately 5 miles north of Fountain Hills and 5.5 miles east of Scottsdale in Maricopa County.
 - 6. On December 9, 2014, Rio Verde filed a Supplement to Application.
- 7. On January 5, 2015, the Commission's Utilities Division ("Staff") filed a Sufficiency Letter stating that Rio Verde's application had met the sufficiency requirements outlined in the Arizona Administrative Code.

This includes 52 customers located in the area for which a CC&N extension has been requested in this matter.

Official notice is taken of these decisions. Rio Verde's CC&N has subsequently been extended by Decision No. 58865 (November 30, 1994), Decision No. 60929 (May 26, 1998), and Decision No. 64042 (September 18, 2001). Official notice is taken of these decisions as well.

Official notice is taken of this decision.

⁴ It was during preparation of a potential CC&N application for a proposed development to be called Rio Verde Highlands that Rio Verde discovered the omitted portion of the service area, for which approval of a CC&N extension is requested herein. (Tr. at 25-27.) (*Id.*) The proposed developer for Rio Verde Highlands subsequently decided not to pursue the development.

The two filings appear to have crossed in the mail.

The mailing was timely. The publication was two days late, which Rio Verde attributes to the weekly publication schedule for the newspaper. (Tr. at 34.) Rio Verde asserts that this should be considered harmless error because the mailed notice was both timely and superior for effecting actual notice to those affected. (Tr. at 60-61.)

- 8. On January 7, 2015, Rio Verde filed a Motion requesting that a procedural conference be scheduled to discuss a hearing schedule and the notice to be provided to property owners in the CC&N extension area.
- 9. Also on January 7, 2015, a Procedural Order was issued scheduling a hearing in this matter to commence on March 18, 2015, and establishing other procedural requirements and deadlines, including a requirement for notice to property owners in the CC&N extension area.⁵
- 10. On January 15, 2015, Rio Verde filed a Motion to Correct Official Caption, requesting that an erroneous reference to "Rio Verde Highlands" in the application caption be deleted.
 - 11. On January 16, 2015, a Procedural Order was issued correcting the caption.
- 12. On February 9, 2015, Staff issued a Staff Report recommending approval of Rio Verde's application, with conditions.
- 13. On February 26, 2015, Rio Verde filed an Affidavit of Mailing showing that public notice had been mailed to the owners of property within the requested CC&N extension area on January 28, 2015, and had been published in *The Fountain Hills Times* on February 4, 2015.⁶
- 14. On March 18, 2015, the evidentiary hearing for this matter was held, with Rio Verde and Staff appearing through counsel. Rio Verde presented documentary evidence and the testimony of Ray Jones, utilities consultant. Staff presented documentary evidence and the testimony of Jian Liu, Utilities Engineer, and Gerald Becker, Executive Consultant III. No members of the public attended to provide public comment. During the hearing, it was determined that Rio Verde would file two documents from the Arizona Department of Water Resources ("ADWR") as Late-Filed Exhibits ("LFEs").
 - 15. On March 19, 2015, Rio Verde filed LFE A-6 and LFE A-7.

The CC&N extension area

16. The CC&N extension area is located entirely within the northern portion of Section 7, Township 4 North, Range 7 East of the Gila and Salt River Base and Meridian, Maricopa County.

The legal description for the CC&N extension area is attached hereto and incorporated herein as Exhibit 1. A map showing the CC&N extension area is attached hereto and incorporated herein as

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Exhibit 2.

17. The CC&N extension area includes approximately 52 residential lots, the owners of which were mailed notice as required by the Procedural Order issued on January 7, 2015. The residential lots have been receiving water utility service from Rio Verde for more than 20 years.

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18. Rio Verde's water system includes nine active wells with a total pumping capacity of 6,510 gallons per minute ("GPM"), two storage tanks with a combined capacity of 1,040,000 gallons, hydro-pneumatic pressure systems, and a distribution system serving 1,706 active connections at the end of 2013. (Ex. S-1.) Rio Verde does not need or intend to add any plant facilities in order to serve

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the CC&N extension area. (Ex. A-2.)

CC&N extension area. (Ex. A-2.)

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19. Rio Verde's water system has adequate production and storage capacity to serve its present customer base, which includes those customers within the CC&N extension area, and to accommodate reasonable growth. (Ex. S-1.) No new developments are proposed to be built in the

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Regulatory Compliance

17 18 20. Rio Verde's water system is providing water that complies with the safe drinking water standards enforced by the Maricopa County Environmental Services Department ("MCESD").⁷

19 20 21. For the period from October 2013 through October 2014, Rio Verde's water system had water loss of approximately 5.91 percent, which is well below Staff's recommended 10-percent threshold for excessive water loss.

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22. Rio Verde is in good standing with the Commission's Corporations Division.

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23. Rio Verde has an approved Physical Availability Determination ("PAD") issued by ADWR on October 27, 1992. (Ex. A-2.) The PAD includes the water demand for the CC&N extension area, as the plats for the CC&N extension area were recorded and Rio Verde Unit Ten and Rio Verde Unit Eleven were developed in the late 1980s. (*Id.*)

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MCESD Public Water System Compliance Status Report of December 3, 2014.

- 24. Rio Verde is located in the Phoenix Active Management Area ("AMA") and is subject to ADWR AMA reporting and compliance requirements. Since January 1, 2010, Rio Verde has been regulated by ADWR pursuant to the ADWR Modified Non-Per Capita Conservation Program ("MNPCCP") rather than the Annual Total Gallons Per Capita Per Day ("GPCD") Program. (LFE A-6; LFE A-7.) However, an ADWR Compliance Status Report dated January 26, 2015, shows that Rio Verde is non-compliant with the GPCD Program and both that it is compliant with the MNPCCP and that the MNPCCP is not applicable. (Ex. A-4.) The parties agree that a water utility cannot be regulated under both the GPCD Program and the MNPCCP at the same time and that the ADWR Compliance Status Report thus is faulty. (Tr. at 42, 45, 47-48, 50, 58.)
- 25. Staff noted that Rio Verde's most recent annual report filed with the Commission indicated that Rio Verde was subject to a Gallons Per Capita Per Day requirement, which would be inconsistent with Rio Verde's participation in the MNPCCP and should be corrected by Rio Verde in its next annual report, due in April 2015. (Tr. at 48-49.) Rio Verde indicated that it would provide the correct information on its next annual report. (Tr. at 59.)
- 26. As of the hearing in this matter, Rio Verde did not possess a Maricopa County franchise agreement for the CC&N extension area. (Tr. at 30.) Additionally, Rio Verde was uncertain of its franchise coverage as to its existing CC&N service area in Maricopa County because Rio Verde had been unable to locate in its files a franchise agreement for that area as well. (Tr. at 31.) As of the hearing, Rio Verde had not yet contacted Maricopa County to determine its current franchise coverage. (*Id.*) However, Rio Verde intended to communicate with the County, determine the current franchise coverage, and apply for a franchise to cover the CC&N extension area and any other portion of Rio Verde's water service area that is not currently covered by a franchise. (*Id.*)
- 27. A.R.S. § 40-282(B) requires an applicant for a CC&N to show the Commission evidence that the applicant has received the required franchise or other permit required by the applicable county, city, or other public authority. A.R.S. § 40-282(D) provides that if a public service corporation has not yet been granted a franchise or permit, the public service corporation may apply for an order preliminary, or the Commission may make an order issuing a CC&N on the condition that the contemplated franchise or permit is obtained.

28.	Mr. Jones	testified that l	ne has bee	en involved	in obtaining	franchise	agreements	many
imes and that	it typically	takes approxi	mately 60	to 120 days	s. (Tr. at 31-	32.)		

- 29. Mr. Becker opined that there is no reason to believe Rio Verde would have any trouble raining a franchise from Maricopa County.
- 30. Rio Verde's audited financial statements for 2013 show total assets of \$13,215,601, total operating revenues of \$2,326,444, and net income of \$367,876.
- 31. Rio Verde's most recent annual report indicates that it has approximately 1,700 customers
- 32. Staff's compliance database indicates that Rio Verde has no delinquent compliance items with the Commission.
- 33. Rio Verde has on file with the Commission both an approved curtailment tariff and an approved cross-connection control and backflow prevention tariff.
- 34. Staff did not indicate that Rio Verde has any outstanding complaints before the Commission, and no customers or other members of the public have expressed opposition to Rio Verde's application herein.
- 35. Staff believes that Rio Verde is fit and proper to receive the requested CC&N extension and that granting the extension is in the public interest. (See Tr. at 53.)
- 36. Staff recommends that the Commission approve Rio Verde's application to extend its CC&N to include the CC&N extension area, as described in Exhibit 1, subject to compliance with the following conditions:
- (a) Rio Verde shall continue to charge its authorized rates and charges within the CC&N extension area;
- (b) Rio Verde shall file with Docket Control, as a compliance item in this docket, no later than December 31, 2015, a copy of the county franchise agreement for the CC&N extension area;

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- (c) Rio Verde shall not in the future serve any customers that are not located within or contiguous to its CC&N area;
- Rio Verde should comply with A.A.C. R14-2-402(E) for serving contiguous (d) lots:
- Rio Verde shall provide notice to all affected customers, and those customers (e) shall have an opportunity to be heard;8 and
- Rio Verde shall file with Docket Control, as a compliance item in this docket, (f) no later than December 31, 2015, an updated ADWR Compliance Status Report indicating that Rio Verde is in compliance with ADWR requirements.
- 37. Staff further recommends that the Commission's Decision granting the requested CC&N extension be considered null and void, after due process, should Rio Verde fail to comply with any of the conditions listed in Findings of Fact No. 36.
- 38. Rio Verde objects to Staff's recommendation for Rio Verde's CC&N extension to be conditioned on acquisition and filing, by December 31, 2015, of an ADWR Compliance Status Report showing that Rio Verde is fully compliant with ADWR requirements. (Tr. at 59.) Rio Verde would not object to a requirement for Rio Verde to work with ADWR to have the compliance issue resolved and for Rio Verde to make filings with the Commission providing updates on the resolution of the compliance issue. (Id.)

Resolution

- 39. Staff's recommendations set forth in Findings of Fact No. 36(a), (b), (c), and (d) are reasonable and appropriate and should be adopted.
- 40. Because Rio Verde has established that it is participating in the ADWR MNPCCP, and the ADWR Compliance Status Report, while flawed, did not indicate noncompliance with the MNPCCP, we do not believe it necessary to condition approval of the CC&N extension upon the filing of a new ADWR Compliance Status Report showing compliance with the MNPCCP. Rather, we will require Rio Verde promptly to communicate with ADWR to resolve its ADWR compliance

Mr. Becker confirmed at hearing that the notice issue had been resolved, as Rio Verde had provided notice subsequent to the creation of the Staff Report. (Tr. at 53.)

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status and, further, to file with the Commission's Docket Control, by December 31, 2015, as a compliance item in this docket, an update of Rio Verde's ADWR compliance status. If Rio Verde is not in compliance with ADWR requirements as of December 31, 2015, Rio Verde will be required to explain in its update the reasons for the noncompliance and the actions already taken and yet to be taken to resolve them. Further, Rio Verde will be required to file monthly status reports, due on the first business day of each subsequent month until such time as Rio Verde can provide documentation showing ADWR compliance.

CONCLUSIONS OF LAW

- 1. Rio Verde is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.
- 2. The Commission has jurisdiction over Rio Verde and the subject matter of its application.
 - 3. Notice of the application was provided in accordance with the law.
- 4. There is a public need and necessity for water service to be provided in the CC&N extension area described in Exhibit 1 and shown in Exhibit 2 hereto.
- 5. Rio Verde is a fit and proper entity to receive the requested extension of its CC&N service area to provide water service in the CC&N extension area described in Exhibit 1 and shown in Exhibit 2 hereto.
- 6. It is just and reasonable and in the public interest to grant Rio Verde the requested extension of its CC&N service area to provide water service in the CC&N extension area described in Exhibit 1 and shown in Exhibit 2 hereto.
- 7. It is just and reasonable and in the public interest to adopt Staff's recommendations set forth in Findings of Fact No. 36(a), (b), (c), and (d) and to adopt the requirements discussed in Findings of Fact No. 40.

ORDER

IT IS THEREFORE ORDERED that Rio Verde Utilities, Inc.'s application for an extension of its Certificate of Convenience and Necessity to provide water utility service in the area of Maricopa County described in Exhibit 1 and shown in Exhibit 2 hereto is approved, subject to the

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conditions set forth in the following ordering paragraphs.

IT IS FURTHER ORDERED that Rio Verde Utilities, Inc. shall continue to charge in the approved extension area the currently authorized water service rates and charges for its Maricopa County service area.

IT IS FURTHER ORDERED that Rio Verde Utilities, Inc. shall file with the Commission's Docket Control Center, as a compliance item in this docket, no later than December 31, 2015, a copy of a Maricopa County franchise agreement covering the approved extension area.

IT IS FURTHER ORDERED that Rio Verde Utilities, Inc. shall not in the future serve any customer that is not located within or contiguous to the service area authorized in its Certificate of Convenience and Necessity.

IT IS FURTHER ORDERED that Rio Verde Utilities, Inc. shall comply with the requirements of A.A.C. R14-2-402(E) if it desires to commence service to any property contiguous to the service area authorized in its Certificate of Convenience and Necessity.

IT IS FURTHER ORDERED that Rio Verde Utilities, Inc. shall promptly communicate with the Arizona Department of Water Resources to resolve its compliance status.

IT IS FURTHER ORDERED that Rio Verde Utilities, Inc. shall file with the Commission's Docket Control, by December 31, 2015, as a compliance item in this docket, an update of Rio Verde's compliance status with the Arizona Department of Water Resources. If Rio Verde Utilities, Inc. is not in compliance with the Arizona Department of Water Resources as of December 31, 2015, Rio Verde Utilities, Inc. shall explain in the update the reasons for the noncompliance and the actions already taken and yet to be taken to resolve the noncompliance.

IT IS FURTHER ORDERED that if Rio Verde Utilities, Inc. is not in compliance with the Arizona Department of Water Resources on December 31, 2015, Rio Verde Utilities, Inc. shall, on the first business day of each month, beginning on February 1, 2016, and until such time as Rio Verde can provide documentation showing compliance with the Arizona Department of Water Resources, file a monthly status report explaining the reasons for noncompliance and the actions already taken and yet to be taken to resolve the noncompliance.

1	IT IS FURTHER ORDERED that the Commission's approval of the extension of Rio Verde
2	Utilities, Inc.'s Certificate of Convenience and Necessity, granted herein, shall be considered null and
3	void, after due process, if Rio Verde Utilities, Inc. fails to meet the above conditions within the times
4	specified.
5	IT IS FURTHER ORDERED that this Decision shall become effective immediately.
6	BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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9	CHAIRMAN COMMISSIONER
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11	COMMISSIONER COMMISSIONER COMMISSIONER
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13	IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have
14	hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix,
15	thisday of 2015.
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17	JODI JERICH
18	EXECUTIVE DIRECTOR
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1	SERVICE LIST FOR:	RIO VERDE UTILITIES, INC.
2	DOCKET NO.:	WS-02156A-14-0401
3	Craig A. Marks	
4	Craig A. Marks CRAIG A. MARKS, PLC 10645 North Tatum Boulevard Suite 200-676	
5	Phoenix, AZ 85028	
6	Janice Alward, Chief Counsel Legal Division	
7	ARIZONA CORPORATION COM 1200 West Washington Street	MISSION
8	Phoenix, AZ 85007	
9	Steven M. Olea, Director Utilities Division	
10	ARIZONA CORPORATION COM 1200 West Washington Street	IMISSION
11	Phoenix, AZ 85007	
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EXHIBIT 1

Legal Description Rio Verde Utilities, Inc. Water CC&N Extension

That portion of Section 7, Township 4 North, Range 7 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona more particularly described as follows:

General Land Office Lots 2 and 3, except any portion lying south of the north right-of-way line of McDowell Mountain Road, being more particularly described as follows:

Commencing at the Northwest Corner of said Section 7;

THENCE South 89°55′51" East along the North line of said Section 7 a distance of 1,313.85 feet to the Northwest Corner of said Lot 3 and the TRUE POINT OF BEGINNING;

THENCE continuing South 89°55′51 East along the North line of said Section 7 a distance of 1,320.19 feet to the Northeast Corner of said Lot 3 which is also the Northwest Corner of said Lot 2:

THENCE continuing South 89°55'51" East along the North line of said Section 7 a distance of 1,320.00 feet to the Northeast Corner of said Lot 2;

THENCE South 00°00′21″ East along the East line of said Lot 2 a distance of 503.72 feet to a point on the northerly right-of-way line of McDowell Mountain Road;

THENCE South 80°15′23″ West along the northerly right-of-way line of McDowell Mountain Road a distance of 459.36 feet;

THENCE South 80°27′24″ West along the northerly right-of-way line of McDowell Mountain Road a distance of 1,390.58 feet;

THENCE South 80°28′45″ West along the northerly right-of-way line of McDowell Mountain Road a distance of 827.22 feet to a point on the West line of said Lot 3;

THENCE North 00°01′13″ East along the West line of said Lot 3 a distance of 951.76 feet to the Northwest Corner of said Lot 3, the Point of Beginning.

DECISION NO.

Maricopa County

7 East

WS-02156A (3)

Rio Verde Utilities, Inc.

(Application for CC&N Extension) Docket No. WS-02156A-14-0401 Rio Verde Utilities, Inc.

4 North

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DECISION NO.

equant to ARS § 39-121.03 this map is 'Not for Commercial Use'